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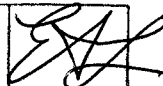
ORIGINAL

August 7, 2014

Chairman Bob Stump  
Commissioner Gary Pierce  
Commissioner Brenda Burns  
Commissioner Bob Burns  
Commissioner Susan Bitter-Smith  
Arizona Corporation Commission  
1700 W. Washington Street  
Phoenix, Arizona 85007

Arizona Corporation Commission  
DOCKETED

AUG 07 2014

DOCKETED BY 

**Re: Response to Commissioner questions regarding rate design inquiry  
and APS rate case filing**  
Dockets: ~~E-00000J-14-0075~~; E-00000J-14-0023

Dear Chairman and Commissioners:

Please accept this letter on behalf of the Alliance for Solar Choice ("TASC"). TASC welcomes the opportunity to address the thoughtful questions and comments made by Chairman Stump and Commissioners Brenda Burns, Bob Burns, and Susan Bitter-Smith regarding the limited reopening of Decision No. 74202 initiated at the July 22, 2014 Staff Meeting. TASC was founded by the largest rooftop companies in the nation and represents the vast majority of the rooftop solar market. Its members include: Demeter Power, SolarCity, Solar Universe, Sungevity, Sunrun, and Verengo. TASC's comments below respond to the questions posed in each respective Commissioner's letter.

**Q: Should net metering rate design issues be considered in Docket No. E-00000J-14-0023 (In the Matter of the Commission's Investigation of Value and Cost of Distributed Generation)? If not, why not?**

It is important to note right off that we object to a further isolated net metering review occurring outside of a general rate case. As the Commission has learned in workshops held in several open dockets, questions around the future of rate design do not begin or end with net metering or distributed solar. New distributed generation technologies including fuel cells, microturbines, and Bloombox, among others, are illustrative of technologies beyond solar that will impact the utility in the future. Customer demand response, energy efficiency, and behavioral changes present issues relative to the future sales velocity for the utility. Further, customers' desires for options through buy-through programs like AG-1 are new and growing.

We have consistently urged the Commission not to single out the solar industry for isolated treatment when there are many varied changes looming over the utility industry.

We concur with the Commission's Decision 74202 and the Arizona Constitution's protections barring single issue rate making, and believe that the appropriate place for further net metering rate design discussions is in a general rate case just as the Commission would consider and discuss demand rates, interruptible rate designs, or any other rate design changes in the context of all rates. As a matter of process, we urge the Commission to continue on this thoughtful path.

We believe this position supports the comments set forth in Commissioner Brenda Burns' letter dated August 6, 2014 wherein she seems to question the usefulness of looking at rate design outside a rate case proceeding. We agree with Commissioner Burns that the time between the conclusion of a general rate design inquiry and its application through a later filed rate case could be so long that the intervening time will have rendered obsolete any agreed upon findings from the general rate design inquiry. TASC continues to believe that rate design issues are inseparable from question of rate of return and should only be reviewed in the context of a full general rate case.

TASC further agrees with Commissioner Bob Burns' letter dated July 22, 2014 in which he states that rate design changes should be "broad-based and applicable to future technologies." If the Commission wishes to evaluate the impacts of the types of technologies and changing customer behaviors and needs outlined above, and engage in a global evaluation of rate design outside of a general rate case proceeding, then TASC supports the proposal raised in Commissioner Bitter-Smith's July 30, 2014 letter that the Commission open a new docket for the study of modern rate design as a whole and also does not object to this study occurring within Docket No. E-000005-13-0375 on Innovations and Technological Developments. This investigation should not occur in a docket designed for the narrow study of net metering.

We appreciate and support Commissioner Brenda Burns' observation that a rate design discussion without sufficient parameters and goals would be counterproductive. We encourage the Commission to carefully set out the objectives of whatever investigation, if any, commences as a result of this discussion.

**Q: Regardless of any net metering rate design issues, why should APS be required to file a general rate case prior to the time APS believes it is under-earning or the Commission is concerned that APS may be over-earning?**

Decision No. 74202 requiring APS to file a general rate case in June of 2015 was a result of the Commission's determination that net metering causes under recovery from participating ratepayers. After hearing arguments, the Commission decided that APS should be allowed to charge net metered customers a solar capacity charge, though at a lower amount than what APS determined would be necessary to provide full cost recovery for net metered customers. By

design, under recovery would result in under earning. The determination of under or over recovery relates directly to the filing of rate cases by APS. Should the Company concur that a general rate case is not necessary in June 2015, we would infer that no under recovery issues exist due to net metering and by extension, that its allegations of the emergency nature of the need for the net metering charge last year must have been overblown.

Additionally, the Commission provided three decisions surrounding net metering in its November decision. Those being:

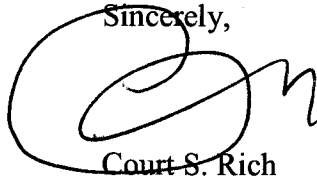
1. IT IS FURTHER ORDERED that customers who sign a contract with an installer after December 31, 2013, and become subject to the \$.70 per kW charge, shall be grandfathered at the \$.70 per kW charge until APS's next general rate case. In the next rate case, the \$.70 per kW charge may be increased, decreased, left as is or eliminated.
2. IT IS FURTHER ORDERED that if the Commission subsequently modifies the LFCR DG adjustment before APS's next rate case, the new adjustment shall only apply to new DG customers who sign a contract with a solar installer after the LFCR DG adjustment is adopted by the Commission. This tranche of customers and any successive tranches of customers shall remain in place until APS's next rate case decision. (underlining added)
3. IT IS FURTHER ORDERED that APS shall file its next general rate case in June 2015, consistent with the provisions of Decision No. 78183.

If the Commission is considering removing the third of these, TASC asks that the underlined portion of the second should be removed as well because these were understood to be a package decision, one tied to the next, i.e. an interim charge was ordered as acceptable to the Commission because it "may be increased, decreased, left as is or eliminated" in the next GRC, which "APS shall file its next general rate case in June 2015, consistent with the provisions of Decision No. 78183." If the paragraph requiring the June 2015 GRC is removed, APS should not be left with the ability to propose increases under the second ordering paragraph while solar companies and customers have to wait an undetermined period of time for the next GRC when the LFCR charge can be fully evaluated and "increased, decreased, left as is or eliminated."

We ask that the Commission maintain the intent of its determination that APS' net metering charges be excluded from reconsideration until the next general rate case. Should APS and the Commission prefer to delay the general rate case, the utility is conceding that they do not see their perceived under-recovery from solar net metering as being important to address in the near term, which means all rates, including the NEM charge, are fine as is. Further, we ask the Commission to place a moratorium on additional requests for net metering charges from other utilities (or increases from APS) until this process is completed. The current APS net metering charge was never designed to be a complete or final solution to a modernizing of the utility cost

recovery equation. It makes little sense to permit further proliferation of a solution that was designed to be interim. The people of Arizona deserve certainty on this issue.

Sincerely,

A handwritten signature in black ink, appearing to be 'Court S. Rich', written over a large, loopy circular scribble.

Court S. Rich

cc: Parties of Docket